

The Political Roots of Intermediated Lobbying: Evidence from Russian Enterprises and Business Associations

1. Introduction

A business enterprise interested in influencing the design, adoption or enforcement of a particular law, rule or regulation confronts a choice. Does it pursue its objective independently through direct, un-mediated contacts with executive and legislative branch personnel? Or does it do so indirectly, using a business association as an intermediary? Or does it mix strategies? Despite attention to the question of which enterprises lobby (Barber *et al.* 2014; Chong and Gradstein 2010; Grier *et al.* 1994; Kanol 2015; Weymouth 2013), research exploring specific strategies – *i.e.*, direct and/or intermediated – has not been well developed.¹ Drawing on a large survey from the Russian Federation, we demonstrate that decisions to lobby via business associations are positively related to regional political competition. This finding, we hasten to add, is not a product of the propensity either to lobby or to join a business association being greater in more competitive regions. Similar to Weymouth (2013), we find no relationship between political competition and reported lobbying activity. Likewise, we find that differences in association membership rates across regions are not related to political competition. The institutional environment, rather, seems to influence only the specifics of lobbying strategy.

Why might greater political competition encourage enterprises to lobby via a collective action organization like a business association? We argue that the answer lies, at least in part, in the electoral incentives facing public officials. Inspired by recent evidence confirming Mancur Olson’s hypothesis (1982) that less “encompassing” actors tend to lobby for more distortionary policies (Guriev *et al.* 2010; Pyle and Solanko 2013), we hypothesize that greater political competition makes government officials relatively more sensitive to more encompassing voices representing a broader swath of economic interests. In more competitive environments, officials face greater electoral risk if perceived to have been captured by narrow interests seeking policies that – while generating concentrated rents – impose broad social costs. With greater competition, that is, officials become more prone to accommodate the appeals of collective actors relative to those made by single actors. If enterprises understand as much, they will adjust their lobbying strategy accordingly.

Alternative explanations might focus more directly on the calculus of the enterprise. For instance, the institutional environment may affect the cost of

¹ A related literature draws attention to the distinction between “inside” lobbying, direct interactions between interest groups and policymakers, and “outside” lobbying, involving efforts to pressure elected officials indirectly through their constituents, usually using the media (Kollman 1998).

lobbying directly relative to the cost of lobbying through intermediaries. Our finding from the enterprise survey data, after all, is consistent with the proposition that the relative cost of working with a business association is low where politics are freer and more competitive. Why then do we interpret the propensity for intermediated lobbying to be driven, at least in part, by officials' incentives? We draw evidence from a second survey in which managers at regional business associations were asked to assess the receptivity of regional officials to their organization's lobbying efforts. Evaluating the responses, we find that those at the less encompassing associations – *i.e.*, those whose membership's contribution to regional output is relatively small or those representing enterprises from just a single sector – reported greater receptivity to their lobbying efforts in less politically-competitive regions. In other words, they describe the precise relationship predicted by our “officials' incentives” hypothesis: greater political competition diminishes the receptivity of public officials to less encompassing voices relative to more encompassing ones.

Before proceeding, we should point out that using the Russian Federation as our analytical subject carries several advantages. First, by focusing on within-country variation across sub-national units, we can control for sources of heterogeneity that, if unobserved or unmeasured, complicate identification in cross-national samples (*e.g.*, lobbying regulations, electoral systems, culture). Second, the Russian Federation possesses a large number of regions that differ substantially across many dimensions including their degree of political competition (Remington 2011). Third, over the past two decades, Russia has developed a rich and diverse ecosystem of business associations active in shaping regional policy. Evidence suggests enterprises are active in both lobbying via associations (Frye 2002; Pyle 2011) and in pursuing their interests through direct and un-mediated contacts with officials (Frye 2002; Slinko *et al.* 2005).

Our paper proceeds as follows. The next section discusses our theory and presents the logic of the “officials' incentives” hypothesis. Section three provides background on the Russian case and helps to contextualize our study. Section four presents the data and empirical strategy. Section five discusses the main results and robustness checks. Section six concludes.

2. Lobbying, “encompassing” interests and political institutions

In *The Rise and Decline of Nations*, perhaps the best known work on lobbying's macroeconomic implications, Mancur Olson (1982) drew an important, yet often overlooked, distinction between more and less “encompassing” organizations:

[In] organizations that encompass a substantial portion of the societies of which they are a part ... the incentives ... are dramatically different from those facing an organization that represents only a narrow segment of society ... [T]he encompassing organization, if it has rational leadership, will care about the excess burden arising from distributional policies

favorable to its members and will out of sheer self-interest strive to make the excess burden as small as possible. (47-48)

Not all lobbies, in other words, are created equal. Olson suggests that the less encompassing generally pursue interests at odds with social welfare, whereas the more encompassing, on balance, are more benign. Recent empirical studies confirm this intuition: less encompassing business actors are more likely to push for policies that distort competitive markets and slow development (Guriev *et al.* 2010; Pyle and Solanko 2013).

Olson provides two metrics for assessing encompassing-ness. He primarily highlights the extent to which an organization's members contribute to society's income-producing capacity. The greater the contribution, the more likely the organization internalizes costs associated with its members' desired policies. Secondarily, he links a business lobby's sectoral diversity to the probability of expressing interests more in line with social welfare. Multi-sector business associations are therefore more encompassing than sector-specific ones (Jankowski 1989). Olson's logic, as Gray and Lowery (1988, 120) argue, implies that, in the limit, the least encompassing business lobby is the single enterprise acting independently and making choices purely on the basis of its own private costs and benefits.

We can thus envision a spectrum of lobbying channels arrayed according to their degree of encompassing-ness. As in Figure 1, at one end lies the individual channel – *i.e.*, approaching officials directly – while further along the spectrum lie channels involving multi-member intermediaries. For an enterprise with a given number of lobbying objectives, the percentage that are compatible with a particular channel should decline in moving from the least to the most encompassing (*i.e.*, from left to right in Figure 1). Some of its objectives, that is, would be filtered out by multi-member associations (Smith 2010). The logic we propose here transposes the distinction Olson draws in the selection above – between less and more encompassing organizations – to the comparison of a single actor and any collective action organization. Acting independently, the single actor can pursue any of its objectives unencumbered by concerns of externalities. But if acting as part of a collective action organization, it will be constrained by the organization's sensitivity to costs imposed on other members.

Which of its lobbying objectives would an enterprise be more likely to pursue with a business association's assistance? Consider two types of policies for which it might wish to lobby: those that benefit it alone and those that benefit it as well as other enterprises belonging to a particular business association. Examples of the former could be enterprise-specific subsidies, tax breaks or government contracts. The latter, on the other hand, might include measures whose benefits either are limited to a well-defined group (*e.g.*, a sector-specific protective tariff) or are more broadly conferred (*e.g.*, policies that reign in corruption). An enterprise may have good reasons to pursue the latter type of policy with the assistance of a business association. For one, an association would be more likely

to champion policies that create shared benefits among members than one that exclusively benefits a single enterprise, particularly if that policy imposes costs on its members. Thus as we compare direct and intermediated lobbying strategies, we might reasonably presume that an enterprise's policy objectives that benefit it alone will be addressed more often through direct lobbying, whereas those that benefit others as well will tend to be pursued more through an intermediary that includes co-beneficiaries.

Enterprises are resource constrained and pursuit of any particular objective will hinge on the potentially uncertain payoffs of success and the opportunity cost of lobbying. Although it is difficult to imagine any enterprise not having a long list of policy objectives, only some (if any) of these are likely to merit the costs of pursuit. Some enterprises, indeed, may choose not to lobby at all, whereas others may have attributes that lead them to conclude that lobbying for one or more objectives makes sense. A recent study based on survey data from 42 countries found that enterprise size and market power are, for instance, two important determinants of decisions to engage in lobbying (Weymouth 2013). Interestingly, this same study found an enterprise's choice to lobby to be insensitive to the presence of democratic political institutions. We ask here whether, conditional on the choice to lobby, the same is true of using an intermediary. Do political institutions, that is, influence whether an enterprise approaches officials through a business association as opposed to using more direct channels? To our knowledge, this question of lobbying strategy has not been previously explored.

To assess the answer, we depart from the proposition that a host of enterprise-level and macro-environmental factors may shape choices over lobbying strategy.² In drawing attention here to the marginal impact of political competition, we focus on a mechanism linking political competition and the preferences of officials for intermediated lobbying. We argue that as the degree of political competition increases, the relative attention given to appeals from encompassing actors also increases. This could be because encompassing actors lobby, on balance, for policies that generate broader electoral support. As Olson (1982) theorized, and as others demonstrated empirically, more encompassing business actors are more likely than the less encompassing to push for policies whose effects do not distort competitive markets and slow development (Guriev *et al.* 2010; Pyle and Solanko 2013). Officials that respond to these sorts of broader, less particularistic, appeals are likely to be rewarded at the ballot box (Bueno de Mesquita *et al.* 2003). What is more, by their nature, more encompassing actors generally represent a broader swath of the electorate (or the electorate's employers) than single enterprises. Policies good for an association representing multiple enterprises will thus tend to have a direct and positive

² As we do, Bombardini and Trebbi (2012) study variation in lobbying approaches but link them not to political institutions but to market structure.

benefit for a larger subsection of voters than those aimed at a single enterprise. Again, this is likely to result in greater electoral support.

At the margin, greater electoral support is apt to be more valuable for officials feeling the least secure in their positions – *i.e.*, those in politically competitive regions. Attentiveness to the lobbying appeals of more encompassing actors should thus be greatest in precisely these settings. Recognizing this, enterprises will adjust their behavior accordingly, becoming more likely to channel lobbying through an intermediary in politically competitive regions. Correspondingly, in non-competitive environments, officials can afford to be more responsive to the appeals of less encompassing voices, whose policy objectives, with greater probability, generate negative externalities (Olson 1982; Guriev *et al.* 2010; Pyle and Solanko 2013) and may hold out the prospect of corruption rents or other forms of *quid pro quo* exchanges (Gehlbach 2008; Frye *et al.* 2014). Understanding the weakness of electoral incentives in less competitive regions, fewer enterprises are apt to direct lobbying efforts through intermediaries that might constrain their lobbying agenda.

In section 5, we show that enterprises in more politically competitive environments are more apt to lobby through an intermediary. This finding is consistent with the “officials’ incentives” hypothesis but also with alternative mechanisms. To further explore officials’ incentives with respect to dealing with different types of business actors, we turn to survey evidence collected directly from a sample of business associations. In doing so, we demonstrate that the degree to which these organizations report officials are responsive to their lobbying appeals is sensitive to the interaction of their political-institutional environment and measures of their encompassing-ness.

3. Politics and lobbying in Russia’s regions

Many recent studies document Russia’s transition from a troubled nascent democracy in the 1990s to the centralized, competitive authoritarian regime of today (Smyth *et al.* 2007; Reuter and Remington 2009, Robertson 2010). Legislative dominance by the hegemonic party, United Russia, and the suborning of regional elites to mobilize for, and ultimately win, elections have become two fundamental pillars of this new regime (Fish 2005; Remington 2008; Reuter 2010; Frye *et al.* 2014) as has the direct appointment of regional governors by the federal center. In such a setting, it may seem odd to explore the consequences of inter-regional variation in political competitiveness. But a substantial body of research suggests the story is more nuanced: “isles of democracy” and “isles of autocracy” coexist in the regions of Putin’s Russia (Gel’man 1999; Hale 2003; Freinkman and Plekhanov 2009; Gehlbach *et al.* 2010; Karhunen and Ledyeva 2011; Obydenkova and Libman 2013).

Although governors are the locus of policy-making at the regional level, the elected legislatures play an important role. They have the power to pass laws, approve budgets, override gubernatorial vetoes, amend regional constitutions,

and, in a few notable cases, confirm or reject gubernatorial appointments (Tolstykh 2008; Makhortov 2008; Reuter 2013). Moreover, they represent an important channel through which elites pursue policies beneficial to themselves and their friends (Orttung 2004; Zubarevich 2005; Reuter and Robertson 2015; Reuter and Turovsky 2014).

In contrast to the elected legislatures, Russia's regional governors were appointed by the federal center during our period of study. This, however, did not make them entirely insensitive to electoral pressures. Reuter and Robertson's (2012) authoritative study of Russian gubernatorial appointments and re-appointments demonstrates that an important predictor of governors' reappointment was United Russia's vote share in regional and federal contests. Moreover, by 2010, the year of our survey, most governors were members of United Russia, and many headlined party lists for regional and federal elections (Reuter and Remington 2009; Reuter 2010). As standard-bearers for a party whose success would affect their probability of reappointment, we would expect governors to avoid actions that would alienate voters from United Russia, particularly in the most politically competitive regions.

Much of the writing on business lobbying in Russia has focused on the relationship between the country's largest companies, the oligarchs that represent their interests, and federal officials in Moscow. Less attention has been paid to lobbying at the sub-national level, even though the average enterprise is more likely to be active here. Frye (2002), in an important contribution, uses survey data from eight cities to show that successful lobbyists rely on different strategies to influence regional legislation, including "personal consultations with state agents" as well as business associations. Slinko *et al.* (2005) draw on a publicly accessible database of laws to shed light on the extent to which regional legislators and regulators grant "specific favors" (*e.g.*, tax breaks, subsidized loans, and energy subsidies) directly to single enterprises. And Guriev *et al.* (2010) use the same source, in conjunction with a sample of large and medium-size enterprises, to draw inferences about direct lobbying efforts and the sources of regional variation in economic institutions.

Many of the first organized business lobbies in Russia grew up to advocate on behalf of small private initiatives permitted during the late Soviet period. Others from the early 1990s were the creations of former ministry officials and state enterprises seeking to preserve the institutions of central planning. But the reforms of the Yeltsin era gave rise to a number of truly new organizations whose *modus operandi* was to provide services, with public- and club-good-like characteristics, to enterprises looking to prosper in a more market-oriented environment (Pyle 2006, Yakovlev and Govorun 2011). Unlike in some continental European countries, business association membership in Russia has remained voluntary (Duvanova 2013).

A number of studies have documented the role these associations have played in translating their members' interests into policy outcomes. At the

national level, they have helped shape tax and labor legislation as well as pension, judicial and natural monopoly reform (Ashwin and Clarke 2002; Guriev and Rachinsky 2005; Cook 2007; Sokhey 2010). At the sub-national level, there has been less research, but regional associations have nevertheless been shown to serve as an important intermediary between the business community and government officials (Yakovlev and Govorun 2011; Pyle 2011). Some regional associations, such as the affiliates of the Russian Union of Industrialists and Entrepreneurs and the Chamber of Commerce and Industry, represent enterprises from across many different economic sectors. Others have a narrower, sector-specific orientation. In a study that motivates our investigation here, Pyle and Solanko (2013) demonstrate that managers from both less encompassing regional associations and their membership display stronger preferences than colleagues affiliated with more encompassing associations for the sorts of narrowly targeted policy interventions that create rents for a small group while imposing costs on the rest of society.

4. Data and Methodology

For our empirical analysis, we make use of two surveys, the first of managers representing 1013 enterprises. Conducted by the National Research University Higher School of Economics in late 2010, it covers 61 of Russia's 83 regions, with a roughly balanced number of observations across regions.³ While the majority of surveyed enterprises are located in regional capitals, some are from smaller cities, outlying towns, or rural areas. Ten major sectors are represented, roughly half of which are industrial.⁴ The average enterprise in the sample is a bit larger than the national average as so-called micro-firms, with less than fifteen employees, were deliberately excluded. Because of the size and sectoral composition of the sample, our respondents are more likely to be business association members than would be the case for a truly representative sample. We present descriptive statistics in Table 1.

The survey allows us to explore the relationship between the degree of regional political competition and an enterprise's propensity to lobby through business associations. The question that addresses lobbying distinguishes between an enterprise's use of the less-encompassing direct (*i.e.*, direct consultations with officials) and the more-encompassing indirect (*i.e.*, via business associations) strategies. Unfortunately, for those using the latter, no distinction is drawn between more and less-encompassing associations. As a consequence, with this enterprise survey alone, we find ourselves unable to distinguish whether lobbying

³ Moscow and St. Petersburg, both considered federal regions, are over-represented in the sample. This imbalance is due to the disproportionate number of firms located in these cities and their large contribution to national output.

⁴Sectors include machinery (14% of enterprises), metallurgy (3%), chemicals (6%), woodworking (6%), light industry (9%), food industry (12%), information technology (12%), trucking (12%), retail (13%), and travel services (13%).

choices are governed by officials' incentives or alternative mechanisms. We thus turn to a second survey, this one of managers at 315 Russian business associations representing 61 regions.⁵ We do not know if this survey is representative because, to our knowledge, no comprehensive database of Russian associations exists. Indeed, ours is the largest survey of associations yet to be conducted. About 45% of our sample consists of regional affiliates of national organizations, 29% are regional associations with no connection to a national organization, and 26% are national associations with membership across multiple regions. Because our concern lies with lobbying at the regional level, we omit the last category from our analysis and focus exclusively on the 233 associations with a presence predominately in a single region. We note that our sample was designed to facilitate cross-regional analysis, so regional associations of different types were balanced across regions. In each region, we tried to include regional affiliates of the major federal multi-sector associations (*e.g.* Russian Union of Industrialists and Entrepreneurs, the Chamber of Commerce), one regional affiliate of smaller federal associations, and at least two additional, regional associations. Descriptive statistics are presented in Table 2.

Modeling Strategy

In order to explore the relationship between political competition and lobbying strategy, we estimate a set of multi-level hierarchical (MLH) logistical models

$$Y_i = \alpha_0 + \gamma_2 Z_j + \gamma_1 Dem_j + \rho X_i + \eta_j + \epsilon \quad (1)$$

with Y_i the enterprise's response to a question about lobbying strategy, Dem_j a measure of regional political competition, X_i a vector of enterprise-level controls, Z_j a vector of regional controls, η_j region-specific random intercepts, and ϵ the error term.

MLH models, as opposed to other estimation techniques, facilitate analysis of heteroskedastic, nested data when the interest lies in measuring the influence of higher-level (regional) variables on individual outcomes (Gelman and Hill 2007; Stenbergen and Jones 2002). They allow us to simultaneously estimate the effects of specific regional controls and control somewhat for unobservables with region-specific random intercepts (Gelman and Hill 2007, 245-256). By using information from within and between higher level units, MLH models produce more efficient estimates than other estimation approaches for the higher-level variables of interest, allowing for good inferences even in cases, such as ours, in which there are either few units at the higher level or each higher-level unit has a small number of individual observations embedded in them (Franzese 2005, Leoni 2009).

⁵ This survey was also conducted by the Higher School of Economics in 2010. Most regions have three to five observations.

As noted above, our primary dependent variable for the enterprise survey comes from a question that asks respondents to list the channels that they use to lobby for changes in regional policy. Respondents selected from options that include “personal contacts with representatives from the regional legislature,” “personal contacts with the governor and/or members of the regional administration,” and “business associations.”⁶ Combining the first two as a measure of direct lobbying, 10.9% of all 1013 respondents reported engaging in direct lobbying. On the other hand, 13.2% of them reported using the services of a business association, whereas 4.5% reported using both channels. Because our main interest lies in understanding the determinants of intermediated lobbying, our dependent variable is a dummy variable which is coded “1” if the respondent reports having used a business association to lobby and “0” otherwise.

Properly measuring political competition, our primary independent variable of interest, is a subject of great contention in the literature, both conceptually and empirically (Trier and Jackson 2008; Cheibub *et al.* 2010). Sensitive to this debate, we draw on a diverse set of measures that capture different aspects of political competition. First, we use the Carnegie Democracy Index (CDI), produced as part of the Moscow Carnegie Center’s Regional Monitoring Project and averaged for the period from 2005 to 2009. The CDI attempts to measure the degree of regional democracy and competition using expert assessments of Russia’s regions along ten different dimensions, including representativeness of elections, pluralism, and openness of political life. These components are added to produce an index ranging from 5 to 50, with higher scores being more democratic (McMann and Petrov 2000).

Second, we use Laakso and Taagepera’s (1979) methodology to compute the effective number of parties (ENP) in the region, a more objective measure of pluralism than the CDI. We draw on electoral data from the most recent regional elections prior to our 2010 survey.⁷ A higher score indicates more parties and greater political pluralism, which, we believe, implies greater political competition. Third, since political competition requires the free flow of information, we introduce a three-point categorical measure of regional press freedom constructed by the Glasnost Defense Foundation, a Russian NGO. Experts assigned regions to one of three categories: “somewhat free,” “somewhat not free,” and “not free,” coded “3,” “2” and “1,” respectively. We use the assessments from 2009.

Finally, we employ as two additional measures of political competition, United Russia’s region-level margin of victory in the 2007 federal legislative elections and in the regional elections closest, but prior, to our survey. Both seek

⁶ Respondents also could answer “media” or “personal contacts with influential individuals outside of government (*e.g.*, other entrepreneurs or public figures).” Respondents gave these latter two responses much less frequently than the other three.

⁷ These range from 2005 to 2009 depending on region-specific electoral calendars.

to capture United Russia's dominance of regional politics. Intuitively, the greater United Russia's dominance of elections, the greater the concentration of political power, and the weaker is political competition. Indeed, a number of studies document that those regions in which United Russia wins by a landslide tend to be those in which officials have the strongest political machines and the most control (Treisman 1999; Robertson 2010; Reuter and Robinson 2012; Reuter 2010; Reuter 2013). We recognize that vote shares in a hegemonic party system such as Russia's are potentially subject to manipulation. But whether the election outcome variables reflect popular opinion exclusively or the combination of popular opinion and machine politics, we believe they meaningfully capture the degree of regional political competition.

In our main specifications, we choose to present relatively parsimonious models. Our enterprise-level controls include the (natural log of the) number of employees, the (natural log of the) enterprise's age, a dummy equal to "1" if the firm exports its output, a dummy indicating whether the enterprise belongs to a holding company or commercial group, a dummy for whether the enterprise is located in a regional capital, a dummy indicating whether the firm is located in Moscow or St. Petersburg, sectoral dummies, and, to capture any unobserved characteristics associated with the choice of lobbying, a dummy equal to "1" if the enterprise reported lobbying through any non-business-association channel. We also include additional regional controls. Gross regional product (GRP) per capita in 2009 (measured in tens of thousands of rubles) and the (natural log of) the region's population (measured in January of 2009) proxy for the region's development and market size. Two variables capture the region's industrial structure: the ratio of profit taxes to total regional revenue, and a Herfindahl-like index measuring the diversity of the regional economy.⁸ We include the former as a measure of available resource rents since regions that rely more on natural resource revenues tend to be less likely to provide public goods or grant enterprises a voice in policy (Gehlbach 2008) and because resource rents are, themselves, associated with weaker political competition (Fish 2005). The latter, a proxy for regional economic concentration, is a potential factor in shaping the relationship between the business community and public officials. Following Gelman and Hill (2007), we mean center our variables to improve the computational efficiency of our estimates.

Recall that our association survey allows us to test whether more encompassing organizations are relatively more likely to be consulted by regional officials in more politically competitive settings, as suggested by our "officials' incentives" hypothesis. Our dependent variable for the association-level analysis draws on a question that asks the managers of associations whether officials in their region "are interested in the participation of your organization in the

⁸ This measure is constructed using official data on contributions to regional GRP broken down into fifteen sectors, based on the statistical classification of economic activities in the European Community (NACE Rev.2).

development of laws and legal norms.” Just over half, 53.6%, responded positively. This question, we feel, well captures the spirit of the “officials’ incentives” hypothesis. Association managers are asked to reflect directly on the question of local officials’ sensitivity to their organization’s lobbying efforts. And as a result, it allows us to assess whether their sensitivity to the interests of more encompassing actors (relative to those that are less encompassing) increases with region-level political competition.

For the association analysis, we again use MLH logistic models, which are particularly well-suited for our association data because they provide efficient estimates of region-level parameters even in cases in which there are only a few individual observations in each region (Gelman and Hill 2007). Our equation takes the form

$$Y_i = \alpha_0 + \gamma_1 Dem_j + \gamma_2 Z_j + \beta_1 Narrow_i + \beta_2 Narrow_i * Dem_j + \rho X_i + \chi_{1j} + \eta_j + \epsilon_i, \quad (2)$$

with Y_i the indicator of officials’ interest in cooperation with association i (“1” indicates interest), Dem_j a measure of political competition in region j , $Narrow_i$ a proxy for whether or not the association is encompassing, X_i a vector of association-specific controls, and Z_j a vector regional controls. As before, η_j is a set of region-specific random intercepts and ϵ is the association-specific error term. The new term, χ , represents a random co-efficient of the *Narrow* variable necessary for cross-level interactions to be identified; it can be interpreted as an additional error term in analyses such as these (Gelman and Hill 2007).

Our measures of Dem_j and the components of Z_j are the same as those used in our enterprise analysis. Our measures of associations’ encompassing-ness are survey-based. First, we include a measure based on the respondent association’s estimate its membership’s contribution to GRP.⁹ Recall that according to Olson (1982), the smaller the slice of regional output an association’s members represent, the less encompassing it is likely to be. We code this variable “0” if the respondent claims that members’ output comprises more than one-quarter of GRP; 27% of the associations in our sample are in this group. The remainder, which we code as “1,” volunteer that their members contribute less than one-fourth of GRP or do not answer the question.¹⁰ As an alternative, we also use a dummy variable that takes on the value of “1” if the association’s membership is composed of enterprises exclusively from a single sector and “0” if

⁹ Respondents could select one of four available options: 10% or less, 10-25% of regional GRP, 25-50% of regional GRP and more than 50% of regional GRP, and “.”

¹⁰ Of association managers, 46% report that their members’ contribution to regional GRP is less than one-quarter and 27% do not provide an answer to the question. In our specifications in Table 5 we combine these two groups, treating both as representing “narrow” interests on the assumption that those that do not wish to avoid admitting that their members’ share of the regional economy is relatively small. Our results, however, are not sensitive to this choice. Excluding the associations that did not respond to this question produces results that mirror, extremely closely, those in Table 5.

the association represents multiple sectors; 37.8% are sector-specific and the remainder are multi-sector. In both cases, our proxy takes on the value of “1” for associations that are less encompassing.

Our “officials’ incentives” hypothesis predicts that regional government officials will be relatively more (less) sensitive to more encompassing associations in more (less) politically competitive regions. The hypothesis, that is, focuses on the attention given by officials to one type of lobbying organization (*i.e.*, more encompassing) relative to another (*i.e.*, less encompassing) and how the degree of relative attention changes with the level of regional political competition. As a result, our main variable of interest is the interaction between regional political competition and the measure of associational encompassingness.

Additional association-specific controls include the percentage of the association’s budget funded by member donations and a dummy variable equal to “1” if the association refused to answer this budgetary question.¹¹ This speaks to the association management’s dependency on, and therefore sensitivity to the preferences of, the membership. We also include a dummy variable equal to “1” if the association is an affiliate of a federal association. Finally, we include the (natural log of the) age of the association and its square to capture the potential influence of time on the strength of connections to public officials.¹²

5. Results

Our results confirm that the degree of regional political competition explains enterprise lobbying strategy. Considering first the full sample, Table 3 shows that three different measures of political competition are associated with lobbying through an intermediary in a statistically significant manner. The margins of victory by United Russia in both the most recent election to the regional legislature and the 2007 election to the federal Duma are negatively related to using a business association, with both relationships statistically significant at the 5% level. Moreover, our “effective number of parties” (ENP) measure is positively related at the 10% level with using a business association. Each of these three results suggests that in regions with greater competition, enterprises are more likely to employ business associations for lobbying. It is also worth noting the positive correlation between lobbying through an association and the other two measures of political competition, the Press Freedom Index (PFI) and the Carnegie Democracy Index (CDI). Although these relationships are not significant at conventional levels, they reassuringly point in the same direction as our other results. Political competition and intermediated lobbying go hand in hand.

¹¹ We treat the associations that refused to answer this question as having none of their budget funded by member donations. Our results in Table 5 are robust to several alternative ways of dealing with this group (*e.g.*, excluding them altogether).

¹² All of our specifications are robust to dropping this square term.

Restricting analysis to only those enterprises that reports lobbying at the regional level, our results do not change. Among this subset of enterprises, Table 4 shows that the ENP measure as well as both margin-of-victory variables explain intermediated lobbying in a manner similar to that observed with the full sample. If anything, these results appear to be a bit stronger than those with the full sample as the coefficient for each measure of political competition becomes greater in magnitude. Conditional on lobbying regional officials, in other words, an enterprise is likelier to use the services of a business association in regions with greater political competition.

Tables 3 and 4 further demonstrate that exporting enterprises as well, unsurprisingly, as members of business associations are more likely to use associations' services to lobby. And although the results from the full sample demonstrate that older enterprises use associations to lobby more frequently, this relationship is not robust to restricting analysis to the subset of lobbying enterprises. Table 3 also reveals that enterprises that report lobbying through channels other than a business association are more likely to use the lobbying services of a business association than those that do not use these other channels. These enterprises, in other words, rely upon multiple channels to lobby.

Our enterprise level analysis is broadly consistent with the "officials' incentives" hypothesis outlined in section 2. That is, the relationship between political competition and intermediated lobbying we observe may be a reflection of officials in politically competitive regions being relatively more sensitive to the appeals of more encompassing collective actors (as opposed to individual enterprises). The relationship might also be due to other factors. For instance, perhaps the relative cost of intermediated lobbying (as opposed to direct approaches to public officials) is lower in regions with more political competition. The Table 3 and 4 results, however, do not allow us to distinguish officials' incentives from other possible mechanisms. In order to bring greater clarity to the question of the mechanism that can explain the relationship, we turn to data collected from the survey of business association managers.

For our analysis of the business association data, recall that our hypothesis focuses on the interaction between the encompassing-ness of the actor lobbying and the degree of regional political competition. In more competitive regions, we would expect that less encompassing business associations, which represent a relatively narrow range of economic interests will report less interest from officials (relative to more encompassing associations) in their participation in formulating laws. Indeed, this is what we observe. Table 5 first introduces encompassing-ness as measured by association managers' estimate of members' contribution to gross regional product (GRP). This variable, "narrow," takes on the value of "1" if members are estimated to account for less than a quarter of GRP. Consistent with the "officials' incentives" hypothesis, the interaction terms between being a narrow (*i.e.*, less-encompassing) association and both the ENP and the PFI, two different measures of political competition, are negative and

statistically significant at the 10% level. As political competition, measured by ENP and press freedom, increases, less-encompassing associations report officials demonstrate less interest in their participation in the development of legislation.¹³ Also consistent with this result are the two positive margin-of-victory interaction terms, which are statistically significant at the 5% and 1% levels. As United Russia's regional dominance increases (*i.e.*, as political competition decreases), the relative influence of narrower associations also increases. In sum, the evidence pointing to relatively greater influence for narrower, less-encompassing associations (as opposed to those that are more encompassing) in less politically competitive regions is quite strong. In line with the "officials' incentives" hypothesis, that is, officials in more competitive regions give greater attention to the appeals of more encompassing associations, relative to those that are less encompassing, than their counterparts in less competitive regions.¹⁴

As a robustness test, of sorts, we run the same models on our association data but with an alternative measure of a business association's degree of encompassing-ness. In Table 6, the variable "Narrow" takes on the value of "1" if the association represents enterprises from only a single economic sector. Because Olson, himself, in discussing encompassing-ness gave less attention to this measure, it would not be unreasonable to consider it a noisier proxy for the characteristic in which we are interested. Nevertheless, it is interesting to note that two of the five interaction terms are statistically significant at the 5% level and carry the predicted signs. The negative interaction terms that include the CDI and the PFI both suggest that as political competition increases in a region, the attention paid by regional officials to the more-likely-to-be narrow and particularistic appeals of sector-specific lobbies, as opposed to the more-likely-to-be broader concerns of more encompassing lobbies, decreases with political competition. This said, these results are not as uniformly strong as those with encompassing-ness measured as members' contribution to GRP. But taken together, and considering that the GRP measure is the one to which Olson gives greater attention, the evidence supporting the "officials' incentives" hypothesis in Tables 5 and 6 is strong. Less-encompassing actors report less interest from officials in more politically competitive regions than their counterparts in regions with greater political competition.

These results from the survey of business association managers, we feel, suggest that what we observed in Tables 3 and 4 – *i.e.*, enterprises' usage of business associations to lobby increases with regional political competition – is driven, at least in part, by the incentives of regional officials. Although the association data do not allow us to completely eliminate the possibility of other

¹³ The interaction term with the Carnegie Democracy Index is not statistically significant, but the negative sign is what would be predicted by the "officials' incentives" hypothesis and is consistent with the ENP and the PFI results.

¹⁴ Results that measure encompassing-ness with a measure of members' estimated share of regional employment are quite similar.

explanations for the sensitivity of lobbying strategy to the political environment, they do provide us with a degree of confidence that competition in the political sphere influences how officials interact with lobbying actors of different types. Officials' incentives to respond to lobbying actors appear to change based upon both the degree of local political competition and the degree of any particular lobbying actor's encompassing-ness. For individual enterprises, whose interests will generally be less encompassing than associations', the appeal of using such intermediaries would appear to increase with the competitiveness of their local political environment, at least in part, because officials in more politically competitive settings are relatively more receptive to intermediated lobbying (as opposed to direct lobbying) than their counterparts in less politically competitive settings.

In order to verify the robustness of our enterprise survey results, we explored a number of additional specifications and models, the two most important of which we report here. First, in order to address concerns of possible selection bias, we checked whether an enterprise's choice to lobby through any channel is correlated with the political regime. One might be tempted to think that the relationship observed in Tables 3 and 4 stems from enterprises' greater willingness and ability to lobby through any channel, business associations included, in more competitive regions. In Table 7, in a specification similar to that depicted in Table 3, but with the dependent variable the manager's response ("yes" or "no") to the question of whether or not the enterprise lobbies regional officials through any channel (direct, intermediated, *etc.*), the signs on the measures of political competition are mixed and none achieve statistical significance at conventional levels. This finding that the decision to lobby is insensitive to regional political competition in Russia is consistent with Weymouth's (2013) from enterprise surveys conducted across a large number of countries.

Even though a control was included for business association membership in the models presented in Tables 3 and 4, one might also be concerned that the relationship we uncovered between political competition and intermediated lobbying might be driven by the proclivity of enterprises to join an association, which then provides lobbying services to its members, being greater in more politically competitive regions. But, again, if we run models similar to those in Table 3 but with business association membership as the dependent variable, we see in Table 8 no clear relationship with our measures of political competition. Although they are not statistically significant, the coefficients on four of the five measures of political competition point in the direction of membership in associations being related to less political competition.¹⁵ The coefficient on the CDI measure is positive and significant at the 10% level, suggesting that there is a

¹⁵ Pyle (2011) presents evidence that one reason Russian enterprises join an association is to better protect their property rights; property rights, moreover, are shown to be weaker in less politically competitive regions.

link between greater political competition and joining a business association. But we should point out that the CDI in fact includes a sub-index the extent to which individuals and enterprises in the region belong to non-governmental organizations. Thus the variable is by construction related to business association membership. In sum, we find it reasonable to conclude that enterprises are just as likely to be members of business associations in regions with little political competition as they are to join associations in regions with a relatively greater degree of political competition.

Finally, we should add that while we prefer an MLH model for the reasons noted, our results are robust to other estimators. Running the models in Tables 3 and 4 using probits with cluster-corrected standard errors, we get similar results for the full sample and notably stronger results for the sub-sample of enterprises that report having lobbied. The results in Tables 5 and 6 are also robust to probit estimation.

6. Conclusion

Interest in the institutional sources of long-run economic performance is often traced to Olson's *The Rise and Decline of Nations* (1982) which drew attention to the socially damaging impact of rent-seeking interest groups. Much of the subsequent work on the political economy of business lobbying, both theoretical and empirical, has tended to underscore this point. But often overlooked in Olson's work is a caveat that not all lobbies are created equal. We draw on this fundamental point and employ two unique datasets to shed light on how and why business lobbying strategy differs with the institutional context. Our primary finding is that enterprises lobby more through multi-member associations in more politically competitive regions, a result due neither to different rates of lobbying nor association membership in these settings. We also demonstrate that the influence of the least encompassing lobby groups is greatest in the least politically competitive regions. Both findings are consistent with officials' incentives being sensitive to the interaction of their political environment and the encompassing-ness of the lobbying actor. Both findings, that is, are understandable if officials pay greater attention to encompassing voices as the probability of electoral defeat increases.

Though it needs to be tested in other contexts, the relationship between political competition and the usage of more encompassing lobbying channels points to a potential feedback loop between "better" political institutions and the efficacy of more encompassing approaches to influencing policy. More competitive politics, that is, encourage greater use of lobbying channels more apt to filter out negative-externality-generating policies. And "better" economic policies, presumably, would in turn strengthen the institutions of political competition. It is certainly premature to push the idea of this potential synergy too far, beyond simply calling attention to its possibility. At a minimum, however, we hope that our analysis here encourages greater appreciation for the diversity of

lobbying channels and how their relative importance may be sensitive to the broader political environment.

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Table 1: Summary Statistics. Enterprise sample.

	Mean	St. dev.
Lobbying through business association	0.13	0.34
Log employees	4.89	1.50
Log enterprise age	2.97	1.12
Export firm indicator	0.28	0.45
Member of commercial (holding) group	0.23	0.42
Major owner: manager	0.29	0.46
Major owner: foreigner	0.03	0.17
Regional BA member	0.20	0.40
Location: regional center	0.54	0.50
Location: Moscow/St. Petersburg	0.19	0.39
Use of non-BA lobbying strategy	0.12	0.32
Carnegie democracy index (2005-2009)	32.33	5.98
Effective number of parties	3.66	1.57
Press freedom index (2009)	2.18	0.62
United Russia margin of victory at regional level in most recent federal legislative elections (2007)	0.47	0.09
United Russia margin of victory in most recent regional legislative elections	0.33	0.17
GRP per capita (2009)	7.74	5.67
Log regional population (2009)	14.65	0.81
Herfindahl index of GRP (2009)	0.14	0.03
Ratio of profit tax to regional revenue (2009)	0.43	0.12

Table 2: Summary Statistics. Association Sample.

	Mean	St. dev.
Requests for association's policy input	0.54	0.50
Members' contribution to GRP	0.73	0.44
Sector specific association	0.38	0.49
Share of membership fees in association budget	0.64	0.43
Share of membership fees (no response)	0.10	0.31
Branch of federal association	0.61	0.49
Log association age	2.20	0.78
Square log association age	5.46	3.08
Carnegie democracy index (2005-2009)	31.92	5.94
Effective number of parties	3.77	1.75
Press freedom index (2009)	2.08	0.65
United Russia margin of victory at regional level in most recent federal legislative elections (2007)	0.50	0.11
United Russia margin of victory in most recent regional legislative elections	0.34	0.19
GRP per capita (2009)	5.77	2.41
Log regional population 2009	14.39	0.65
Herfindahl index of GRP (2009)	0.13	0.02
Ratio of profit tax to regional revenue (2009)	0.39	0.08

Table 3: Business Association Lobbying and Institutional Context - Full Sample

	(1)	(2)	(3)	(4)	(5)
Carnegie democracy index (2005-2009) (Higher = more competitive)	0.031 (0.030)				
Effective number of parties (Higher = more competitive)		0.175* (0.097)			
Press freedom index (2009) (Higher = more competitive)			0.391 (0.266)		
Margin of victory - most recent federal elections (2007) (Higher = less competitive)				-4.236** (2.039)	
Margin of victory - most recent regional elections (Higher = less competitive)					-2.243** (1.082)
Log employees	0.086 (0.135)	0.082 (0.135)	0.097 (0.136)	0.094 (0.134)	0.088 (0.135)
Log enterprise age	0.311** (0.147)	0.299** (0.147)	0.306** (0.147)	0.321** (0.147)	0.317** (0.147)
Export firm indicator (I=yes)	0.850*** (0.294)	0.802*** (0.294)	0.827*** (0.292)	0.833*** (0.293)	0.826*** (0.294)
Member of commercial (holding) group (I=yes)	-0.350 (0.307)	-0.349 (0.308)	-0.361 (0.308)	-0.338 (0.307)	-0.331 (0.308)
Major owner: manager (I=yes)	-0.188 (0.272)	-0.191 (0.271)	-0.206 (0.271)	-0.153 (0.271)	-0.177 (0.271)
Major owner: foreign (I=yes)	-0.030 (0.649)	-0.031 (0.649)	-0.027 (0.651)	-0.089 (0.648)	-0.070 (0.649)
Regional BA member (I=yes)	1.426*** (0.270)	1.463*** (0.268)	1.452*** (0.268)	1.457*** (0.269)	1.464*** (0.268)
Location: regional capital (I=yes)	0.466 (0.338)	0.483 (0.339)	0.439 (0.337)	0.480 (0.336)	0.511 (0.339)
Location: Moscow/St. Petersburg (I=yes)	0.527 (0.923)	0.442 (0.881)	0.250 (0.925)	-0.011 (0.888)	0.109 (0.897)
Use of non-BA lobbying strategy (I=yes)	2.441*** (0.302)	2.445*** (0.302)	2.422*** (0.300)	2.481*** (0.301)	2.478*** (0.302)
GRP per capita (2009 – 10000s of rubles)	0.017 (0.088)	0.012 (0.082)	0.018 (0.084)	0.015 (0.079)	0.054 (0.087)
Log regional population (2009)	-0.003 (0.312)	0.177 (0.322)	-0.055 (0.310)	0.136 (0.305)	0.180 (0.317)
Herfindahl index of GRP (2009)	-1.154 (8.263)	0.703 (8.179)	-1.617 (8.138)	-1.302 (7.902)	-0.694 (8.074)
Ratio of profit tax to regional revenue (2009)	0.902 (3.334)	0.830 (3.166)	1.902 (3.101)	0.780 (3.063)	0.252 (3.199)
Observations	892	892	892	892	892
Number of groups	58	58	58	58	58
chi2	123.6	124.8	125.0	126.8	125.7
log Likelihood	-257.36	-256.3	-256.8	-255.6	-255.6

Standard errors in parentheses. Stars indicate the following significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table 4: Business Association Lobbying and Institutional Context – Lobbying Firms

	(1)	(2)	(3)	(4)	(5)
Carnegie democracy index (2005-2009)	0.059				
<i>(Higher = more competitive)</i>	(0.042)				
Effective number of parties		0.208*			
<i>(Higher = more competitive)</i>		(0.125)			
Press freedom index (2009)			0.557		
<i>(Higher = more competitive)</i>			(0.375)		
Margin of victory - most recent federal elections (2007)				-6.857**	
<i>(Higher = less competitive)</i>				(2.963)	
Margin of victory - most recent regional elections					-3.430**
<i>(Higher = less competitive)</i>					(1.460)
Log employees	0.106	0.115	0.146	0.117	0.111
	(0.237)	(0.237)	(0.239)	(0.236)	(0.238)
Log enterprise age	-0.103	-0.171	-0.157	-0.113	-0.135
	(0.257)	(0.256)	(0.255)	(0.258)	(0.258)
Export firm indicator	1.287**	1.156**	1.349**	1.323**	1.271**
<i>(I=yes)</i>	(0.523)	(0.520)	(0.530)	(0.538)	(0.531)
Member of commercial (holding) group	-0.890*	-0.930*	-0.953**	-0.964**	-0.948*
<i>(I=yes)</i>	(0.482)	(0.485)	(0.478)	(0.488)	(0.489)
Major owner: manager	-0.618	-0.585	-0.581	-0.485	-0.438
<i>(I=yes)</i>	(0.453)	(0.458)	(0.455)	(0.471)	(0.469)
Major owner: foreign	-0.294	-0.313	-0.348	-0.385	-0.301
<i>(I=yes)</i>	(0.866)	(0.867)	(0.857)	(0.873)	(0.881)
Regional BA member	1.167***	1.319***	1.290***	1.363***	1.354***
<i>(I=yes)</i>	(0.445)	(0.450)	(0.449)	(0.458)	(0.457)
Location: regional capital	0.196	0.153	0.066	0.168	0.297
<i>(I=yes)</i>	(0.544)	(0.547)	(0.538)	(0.551)	(0.558)
Location: Moscow/St. Petersburg	-0.673	-0.467	-0.842	-1.210	-1.064
<i>(I=yes)</i>	(1.096)	(1.050)	(1.121)	(1.137)	(1.114)
Use of non-BA lobbying strategy	-0.620	-0.571	-0.581	-0.567	-0.583
<i>(I=yes)</i>	(0.483)	(0.484)	(0.483)	(0.496)	(0.492)
GRP per capita (2009 – 10000s of rubles)	0.154	0.139	0.134	0.161	0.219*
	(0.118)	(0.112)	(0.113)	(0.114)	(0.123)
Log regional population (2009)	0.011	0.207	-0.058	0.168	0.295
	(0.402)	(0.417)	(0.406)	(0.405)	(0.421)
Herfindahl index of GRP (2009)	-10.24	-8.307	-10.884	-8.774	-8.558
	(10.46)	(10.658)	(10.376)	(10.631)	(10.899)
Ratio of profit tax to regional revenue (2009)	-1.986	-2.313	-0.191	-3.624	-4.408
	(5.079)	(5.066)	(4.878)	(5.341)	(5.336)
Observations	148	148	148	148	148
Number of groups	49	49	49	49	49
chi2	24.65	25.22	24.99	26.35	26.86
log Likelihood	-84.24	-83.76	-84.10	-81.95	-82.25

Standard errors in parentheses. Stars indicate the following significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table 5: Members' Contribution to GRP and Degree of Officials' Interest in Working with Association to Develop New Laws and Legal Norms.

	(1)	(2)	(3)	(4)	(5)
Less encompassing association	-0.989**	-0.974**	-1.138***	-0.934**	-0.868**
<i>(I= members produce ≤ 25% of GRP)</i>	[0.412]	[0.413]	[0.434]	[0.411]	[0.418]
Carnegie democracy index (2005-2009)	0.003				
<i>(Higher = more competitive)</i>	(0.067)				
Carnegie democracy index (2005-2009) *	-0.065				
Less encompassing association	(0.069)				
Effective number of parties		0.094			
<i>(Higher = more competitive)</i>		(0.200)			
Effective number of parties *		-0.421*			
Less encompassing association		(0.228)			
Press freedom index (2009)			0.973		
<i>(Higher = more competitive)</i>			(0.645)		
Press freedom index (2009) *			-1.271*		
Less encompassing association			(0.685)		
Margin of victory - most recent federal elections (2007)				-2.416	
<i>(Higher = less competitive)</i>				(3.406)	
Margin of victory (federal elections) *				8.983**	
Less encompassing association				(3.914)	
Margin of victory - most recent regional elections					-1.588
<i>(Higher = less competitive)</i>					(1.863)
Margin of victory (federal elections) *					6.048***
Less encompassing association					(2.194)
Share of membership fees in association budget	-0.717	-0.751	-0.765	-0.709	-0.778
	(0.502)	(0.507)	(0.512)	(0.513)	(0.522)
Share of membership fees (no response)	-0.725	-0.731	-0.714	-0.727	-0.813
<i>(I=no response)</i>	(0.631)	(0.639)	(0.636)	(0.651)	(0.666)
Branch of federal association	0.638*	0.639*	0.602*	0.650*	0.686*
	(0.350)	(0.353)	(0.352)	(0.356)	(0.363)
Log association age	-0.106	-0.365	-0.0771	0.0565	0.0272
	(0.847)	(0.887)	(0.852)	(0.881)	(0.911)
Square log association age	0.076	0.129	0.064	0.038	0.044
	(0.223)	(0.232)	(0.225)	(0.230)	(0.237)
GRP per capita (2009 - tens of thousands of rubles)	0.060	0.067	0.071	0.095	0.043
	(0.109)	(0.106)	(0.109)	(0.105)	(0.113)
Log regional population (2009)	0.891**	0.653	0.948**	0.724*	0.575
	(0.396)	(0.410)	(0.414)	(0.402)	(0.421)
Herfindahl index of GRP (2009)	7.748	5.107	8.518	8.057	7.210
	(10.18)	(10.26)	(10.63)	(10.19)	(10.49)
Ratio of profit tax to regional revenue (2009)	-5.130	-5.610	-7.179*	-5.766	-4.429
	(3.814)	(3.686)	(3.751)	(3.728)	(3.854)
Observations	213	213	213	213	213
Number of groups	56	56	56	56	56
chi2	20.44	22.29	20.28	23.6	25.15
log Likelihood	-132.29	-130.51	-131.77	-128.59	-126.90

Standard errors in parentheses. Stars indicate the following significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table 6: Sector Specialization and Degree of Officials' Interest in Working with Association to Develop New laws and Legal Norms

	(1)	(2)	(3)	(4)	(5)
Sector specific association (<i>I= members produce ≤25% of GRP</i>)	0.169 [0.406]	-0.038 [0.390]	0.045 [0.397]	0.021 [0.390]	-0.058 [0.390]
Carnegie democracy index (2005-2009) (<i>Higher = more competitive</i>)	0.001 (0.042)				
Carnegie democracy index (2005-2009) *	-0.145**				
Sector specific association	(0.061)				
Effective number of parties (<i>Higher = more competitive</i>)		-0.166 (0.134)			
Effective number of parties *		0.011			
Sector specific association		(0.197)			
Press freedom index (2009) (<i>Higher = more competitive</i>)			0.359 (0.371)		
Press freedom index (2009) *			-1.098**		
Sector specific association			(0.520)		
Margin of victory - most recent federal elections (2007) (<i>Higher = less competitive</i>)				3.795 (2.464)	
Margin of victory (federal elections) *				1.302	
Sector specific association				(3.458)	
Margin of victory - most recent regional elections (<i>Higher = less competitive</i>)					3.006** (1.441)
Margin of victory (federal elections) *					-1.415
Sector specific association					(1.845)
Share of membership fees in association budget	-0.589 (0.499)	-0.545 (0.493)	-0.591 (0.502)	-0.533 (0.493)	-0.588 (0.493)
Share of membership fees (no response) (<i>I=No response</i>)	-0.798 (0.629)	-0.811 (0.624)	-0.827 (0.630)	-0.761 (0.627)	-0.898 (0.633)
Branch of federal association	0.701* (0.385)	0.578 (0.378)	0.633* (0.382)	0.599 (0.376)	0.556 (0.378)
Log association age	0.231 (0.908)	-0.369 (0.850)	-0.074 (0.868)	-0.076 (0.867)	-0.300 (0.846)
Square log association age	0.034 (0.234)	0.185 (0.223)	0.108 (0.226)	0.121 (0.225)	0.166 (0.222)
GRP per capita (2009 - tens of thousands of rubles)	0.021 (0.107)	0.046 (0.103)	0.049 (0.106)	0.053 (0.099)	0.025 (0.103)
Log regional population (2009)	0.675* (0.379)	0.539 (0.394)	0.691* (0.392)	0.513 (0.373)	0.468 (0.387)
Herfindahl index of GRP (2009)	9.847 (10.01)	6.427 (10.07)	8.051 (10.26)	7.709 (9.681)	7.026 (9.839)
Ratio of profit tax to regional revenue (2009)	-3.458 (3.683)	-4.657 (3.561)	-5.333 (3.563)	-3.786 (3.469)	-3.559 (3.544)
Observations	213	213	213	213	213
Number of groups	56	56	56	56	56
chi2	19.74	15.75	17.75	17.65	17.24
log Likelihood	-132.77	-136.00	-134.60	-134.40	-134.36

Standard errors in parentheses. Stars indicate the following significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table 7: Decision to Lobby and Political Competition

	(1)	(2)	(3)	(4)	(5)
Carnegie democracy index (2005-2009)	-0.012				
<i>(Higher = more competitive)</i>	(0.025)				
Effective number of parties		0.025			
<i>(Higher = more competitive)</i>		(0.082)			
Press freedom index (2009)			0.268		
<i>(Higher = more competitive)</i>			(0.224)		
Margin of victory - most recent federal elections (2007)				0.799	
<i>(Higher = less competitive)</i>				(1.540)	
Margin of victory - most recent regional elections					0.450
<i>(Higher = less competitive)</i>					(0.848)
Log employees	0.355***	0.355***	0.358***	0.352***	0.353***
	(0.116)	(0.116)	(0.116)	(0.117)	(0.116)
Log enterprise age	0.394***	0.392***	0.390***	0.393***	0.393***
	(0.126)	(0.126)	(0.126)	(0.126)	(0.126)
Export firm indicator	0.023	0.020	0.025	0.032	0.032
<i>(I=Yes)</i>	(0.255)	(0.256)	(0.254)	(0.255)	(0.255)
Member of commercial (holding) group	0.105	0.101	0.094	0.104	0.101
<i>(I=Yes)</i>	(0.248)	(0.248)	(0.247)	(0.248)	(0.248)
Major owner: manager	-0.089	-0.088	-0.097	-0.096	-0.088
<i>(I=Yes)</i>	(0.234)	(0.234)	(0.234)	(0.235)	(0.234)
Major owner: foreign	0.740	0.755	0.775	0.752	0.754
<i>(I=Yes)</i>	(0.499)	(0.499)	(0.498)	(0.499)	(0.498)
Regional BA member	1.259***	1.254***	1.252***	1.253***	1.253***
<i>(I=Yes)</i>	(0.226)	(0.226)	(0.226)	(0.226)	(0.226)
Location: Regional capital	0.187	0.193	0.187	0.187	0.185
<i>(I=Yes)</i>	(0.271)	(0.271)	(0.269)	(0.271)	(0.271)
Location: Moscow/St. Petersburg	0.702	0.641	0.398	0.789	0.769
<i>(I=Yes)</i>	(0.836)	(0.846)	(0.843)	(0.874)	(0.861)
GRP per capita (2009 – 10000s of rubles)	-0.011	0.004	0.024	-0.006	-0.013
	(0.077)	(0.075)	(0.075)	(0.075)	(0.078)
Herfindahl index of GRP (2009)	7.405	7.622	6.869	7.326	7.284
	(6.894)	(6.995)	(6.843)	(6.938)	(6.926)
Log regional population (2009)	-0.698**	-0.686**	-0.758***	-0.735***	-0.745***
	(0.271)	(0.283)	(0.272)	(0.277)	(0.280)
Ratio of profit tax to regional revenue (2009)	0.503	-0.069	-0.018	0.425	0.479
	(2.737)	(2.680)	(2.578)	(2.702)	(2.713)
Observations	892	892	892	892	892
Number of groups	58	58	58	58	58
chi2	89.22	88.87	89.65	89.15	89.07
log Likelihood	-337.55	-337.6	-337.0	-337.5	-337.5

Standard errors in parentheses. Stars indicate the following significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table 8: Business Association Membership and Political Competition

	(1)	(2)	(3)	(4)	(5)
Carnegie democracy index (2005-2009)	0.032*				
<i>(Higher = more competitive)</i>	(0.018)				
Effective number of parties		-0.006			
<i>(Higher = more competitive)</i>		(0.061)			
Press freedom index (2009)			-0.035		
<i>(Higher = more competitive)</i>			(0.163)		
Margin of victory - most recent federal elections (2007)				0.035	
<i>(Higher = less competitive)</i>				(1.188)	
Margin of victory - most recent regional elections					0.146
<i>(Higher = less competitive)</i>					(0.627)
Log employees	0.223**	0.227**	0.226**	0.227**	0.226**
	(0.102)	(0.102)	(0.102)	(0.102)	(0.102)
Log enterprise age	0.228**	0.227**	0.228**	0.227**	0.227**
	(0.107)	(0.107)	(0.106)	(0.106)	(0.106)
Export firm indicator	0.735***	0.711***	0.710***	0.710***	0.712***
	(0.217)	(0.217)	(0.216)	(0.216)	(0.216)
Member of commercial (holding) group	-0.556**	-0.536**	-0.533**	-0.535**	-0.536**
	(0.229)	(0.228)	(0.228)	(0.228)	(0.228)
Major owner: manager	0.263	0.259	0.262	0.259	0.259
	(0.201)	(0.201)	(0.201)	(0.201)	(0.201)
Major owner: foreign	0.573	0.527	0.522	0.528	0.529
	(0.466)	(0.465)	(0.465)	(0.464)	(0.464)
Location: regional capital	0.031	0.010	0.011	0.010	0.008
	(0.221)	(0.221)	(0.221)	(0.221)	(0.222)
Location: Moscow/St. Petersburg	0.316	0.520	0.550	0.518	0.552
	(0.439)	(0.436)	(0.462)	(0.469)	(0.461)
GRP per capita (2009 – 10000s of rubles)	-0.081	-0.122***	-0.125***	-0.121***	-0.126**
	(0.050)	(0.046)	(0.048)	(0.046)	(0.049)
Log regional population (2009)	-0.472**	-0.447**	-0.432**	-0.443**	-0.454**
	(0.199)	(0.205)	(0.200)	(0.200)	(0.203)
Herfindahl index of GRP (2009)	4.919	5.446	5.662	5.521	5.520
	(5.139)	(5.154)	(5.150)	(5.107)	(5.104)
Ratio of profit tax to regional revenue (2009)	2.837	3.999**	3.963**	3.970**	4.074**
	(1.938)	(1.876)	(1.832)	(1.871)	(1.897)
Observations	908	908	908	908	908
Number of groups	58	58	58	58	58
chi2	103.61	101.8	101.9	101.8	101.8
log Likelihood	-396.50	-398.1	-398.1	-398.1	-398.1

Standard errors in parentheses. Stars indicate the following significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Figure 1. Spectrum of Lobbying Channels

